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ABSTRACT

Designed to assist in the development of rural areas in the United States, the Rural Development Act of 1972 is divided into seven titles which are named and explicated in this "Staff Explanation". Titles of the Act are presented as follows: (1) Title I--Amendments to the Consolidated Farmers Home Administration Act of 1961 (28 amendments relative to loan authorization, extension of water and sewer grant authorities, extension of the definition of rural, etc.); (2) Title II--Rural Revenue Sharing (five items relative to appropriation formulas, apportionment, State eligibility, etc.); (3) Title III--Amendments to the Watershed Protection and Flood Prevention Act (seven amendments relative to definition of "works improvement", authorization of funds for land acquisition, water storage costs, etc.); (4) Title IV--Amendments to the Bankhead-Jones Farm Tenant Act (authorization of water storage costs and land inventory and monitoring program requirements); (5) Title V--Rural Community Fire Protection (appropriations of $5 million for fiscal years 1973-75); (6) Title VI--Rural Development and Small Farm Research and Education (appropriation and apportionment of funds for rural development extension programs, research and training, and small farm extension and development programs); (7) Title VII-Miscellaneous (restrictions and cost sharing authorizations). (JC)

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92d Congress
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COMMITTEE PRINT

RURAL DEVELOPMENT ACT OF 1972

STAFF EXPLANATION OF H.R. 12931, THE RURAL DEVELOPMENT ACT OF 1972, AS PASSED BY THE SENATE APRIL 20, 1972

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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STAFF EXPLANATION OF H.R. 12931, THE RURAL DEVELOPMENT ACT OF 1972, AS PASSED BY THE SENATE AND SHOWING FLOOR AMENDMENTS

This bill, cited as the Rural Development Act of 1972, provides for a number of methods of assisting in the development of the rural areas of this country. It is divided into 7 titles as follows:

I. Amendments to the Consolidated Farmers Home Administration Act of 1961
II. Rural Community Development Revenue Sharing
III. Amendments to the Watershed Protection and Flood Prevention Act, as amended
IV. Amendments to the Bankhead-Jones Farm Tenant Act, as amended
V. Rural Community Fire Protection
VI. Rural Development and Small Farm Research and Education
VII. Miscellaneous

TITLE I.—AMENDMENTS TO THE CONSOLIDATED FARMERS HOME ADMINISTRATION ACT OF 1961

Title I would amend the Consolidated Farmers Home Administration Act of 1961 to—

(1) rename it the Consolidated Farm and Rural Development Act;

(2) authorize real estate loans to acquire or establish small business enterprises in rural areas;

(3) provide for appraisals of real property on a market (rather than normal) value basis;

(4) authorize loans for rural development projects;

(5) prohibit loans (as well as grants) under section 306 of the 1961 Act that are inconsistent with a multijurisdictional plan and authorize reimbursement of multijurisdictional development agencies and county and municipal goverments for reviewing applications for financial assistance under section 306;

(6) extend the Secretary's authority to make grants under section 306 prior to the completion of the comprehensive plan to October 1, 1973;

(7) extend water and sewer planning grant authority to all community services and facilities and areawide development (in addition to sewers), and permit grants to agencies having authority to prepare comprehensive plans which are not "official";

(8) extend the definition of "rural areas" to exclude towns of more t[illegible] 50,000 and their urbanized and urbanizing adjacent areas [illegible]ad of 5,500), and to all provisions of the act;

(1)

(9) repeal the $4 million limit on loans and grants to any association under section 306(a);

(10) increase to $500 million (from $100 million) the amount of unsold loans which may be held in the Agricultural Credit Insurance Fund pending sale as insured loans;

(11) create a Rural Development Insurance Fund with authority to borrow from the Treasury (similar to the Agricultural Credit Insurance Fund) for rural development loans;

(12) subject the interest on all insured loans sold out of such fund to Federal income tax;

(13) authorize (a) loans to finance business industry and employment and improve the economic and environmental climate in rural communities; and (b) $50 million annually for 50 percent pollution abatement and control grants;

(14) authorize loans to rural youths for any purpose specified in section 312 (operating loans) and in addition to operate enterprises in connection with their participation in 4–H clubs or similar organizations;

(15) authorize (a) loans to operate small business enterprises in rural areas and for pollution abatement and control; and (b) $25 million annually for grants of up to 50 percent of the development cost of pollution abatement and control projects;

(16) increase the operating loan limit from $35,000 to $50,000;

(17) authorize insurance of operating loans;

(18) reorganize the Farmers Home Administration into a Farm Development Administration and a Rural Enterprise and Community Development Administration under an additional Assistant Secretary of Agriculture;

(19) give the Secretary discretion to require bonds protecting against FHA employee fraud or dishonesty in lieu of the present "faithful performance" bonds which go to all duties of the employee;

(20) repeal a provision requiring county committee approval of loans under sections 306, 314 (soil conservation districts), and 321(b)(2) (emergency loans to corporations and partnerships);

(21) provide for an interest rate on the new types of rural development loans (other than guaranteed loans or loans to public bodies or nonprofit associations for community facilities to bear interest at a rate, prescribed by the Secretary, not less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States comparable to the average maturities of such loans, adjusted in the judgment of the Secretary of the Treasury to provide for a rate comparable to the rates prevailing in the private market for similar loans and considering the Secretary's insurance of the loans, plus an additional charge, prescribed by the Secretary, to cover the Secretary's losses and cost of administration, which charge shall be deposited in the Rural Development Insurance Fund: *Provided*, That the rate so prescribed shall be adjusted to the nearest one-eighth of 1 per centum.

(22) make it clear that the word "insure" covers the guarantee of a loan originated and serviced by another lender;

(23) limit the guaranty on a guaranteed loan originated by another lender for rural development purposes (other than certain

loans for community facilities) to 90 percent of the risk, and authorize the Secretary to make loans for such purposes only if no other lender is willing to make a guaranteed loan;

(24) give preference for water facility loans and grants to public agencies in rural communities of 5,500 or less suffering deterioration or diminution of an existing water supply;

FLOOR AMENDMENTS

(25) clarify and extend the authority of the Farmers Home Administration to contract for services and authorizes the Secretary to use the agricultural credit and rural development insurance funds to pay for contract services;

(26) authorize the collection of interest and taxes in the monthly mortgage payment; and relieve the Secretary of Agriculture of requiring that interest be calculated and paid on late payments;

(27) require that 60% of the Farmers Home Administration loan and grant funds for rural development go to counties which have no incorporated city of more than 25,000 population; and

(28) require the Secretary of Agriculture to accept a guarantee by the Department of Hawaiian Home Lands of the State of Hawaii as security for a rural housing loan.

TITLE II—RURAL REVENUE SHARING

(1) This title authorizes the appropriation of $500 million annually.

(2) This money would be apportioned among the States according to the following formula:

(a) 50% on the basis of the State's rural population;

(b) 25% on the basis of the State's rural per capita income; and

(c) 25% on the basis of the decrease in the State's rural population.

(The committee bill had provided a formula that would have given 40% of the money for (a); 20% for (b); and 40% for (c).)

(3) All funds would go to the States, but each State is required to pass on one-third of these funds to substate multi-jurisdictional area-wide general purpose planning and development districts and it must pass on one-third of the funds to local governments within the State. The two-thirds passed on to districts and local governments would be apportioned within each State on the same formula basis as had been provided by the Committee bill for apportionment of funds among the States.

(4) The amounts apportioned would be used by the recipients for rural development in rural areas as defined in Title I.

(5) To become eligible for funds each State must present to the Secretary of Agriculture a rural development plan developed by a statewide rural development planning system, with the participation of officials of district commissions and local governments.

TITLE III—AMENDMENTS TO THE WATERSHED PROTECTION AND FLOOD PREVENTION ACT

This title would amend the Watershed Protection and Flood Prevention Act to—

(1) extend the definition of "works of improvement" to any undertaking for the conservation and proper utilization of land and permit cost-sharing therefor;

(2) provide for up to ten year agreements under which the Secretary would share the cost of soil and water conservation practices on lands within the areas covered by watershed projects under that act or section 13 of the act of December 22, 1944;

(3) permit funds appropriated for other acts to be used in the acquisition of lands now required to be acquired by the local organization without cost to the Federal government;

(4) authorize the Secretary to pay the cost of Indian lands needed for works of improvement thereon;

(5) permit the Secretary to assume an appropriate part of the cost of installing any work of improvement applicable to water quality management;

(6) permit the Secretary to pay up to 50 percent of the cost of storage for present municipal and industrial water demands;

(7) require plans for larger impoundments which include (a) features which may affect the public health, or (b) water pollution control measures, to be submitted to the Secretary of Health, Education and Welfare or the Administrator of the Environmental Protection Agency, respectively before being submitted to Congress through the President.

FLOOR AMENDMENTS

(8) place particular emphasis on the reclamation and revegetation of land that has been strip-mined or abandoned; and

(9) permit cost-sharing for ground water recharge.

Title IV—Amendments to the Bankhead-Jones Farm Tenant Act

This title would—

(1) amend the Bankhead-Jones Farm Tenant Act to authorize the Secretary to (i) pay up to 50 percent of the cost of storage of water in any reservoir constructed or modified under such act for present needs for rural community water supply and advance the cost of storage for future needs; and (ii) share in the cost of installing measures for water quality management, the control and abatement of agriculture-related pollution, the disposal of solid wastes, and the storage and withdrawal of water for rural fire protection;

(2) require the Secretary to carry out a land inventory and monitoring program and issue a land inventory report at not less than five-year intervals.

Title V—Rural Community Fire Protection

This title authorizes the appropriation of $5 million for each of the fiscal years ending June 30, 1973, June 30, 1974, and June 30, 1975, to enable the Secretary of Agriculture to provide financial, technical, and other assistance to appropriate State officials in cooperative efforts to organize, train, and equip local forces to prevent, control, and suppress wildfires in rural areas and rural communities of 5,500 or less outside of Standard Metropolitan Statistical areas. Financial assist-

ance could not exceed 50 percent of budgeted or actual expenditures, whichever was less.

FLOOR AMENDMENT

The amendment authorizes the appropriation of an additional $2,000,000 annually for the purposes of this title to be used in those States where the average per capita income in rural areas is below the national average per capita income for rural areas and where the timber reserves are of such importance as to warrant special consideration. The States may use these funds only in the multijurisdictional planning districts where the rural per capita income is below the national average.

Title VI—Rural Development and Small Farm Research and Education

This title authorizes the appropriation and apportionment of funds to States for (1) rural development extension programs; (2) rural development research; (3) rural development training; and (4) small farm extension, research and development programs.

Appropriation authorizations increase from a total of $50 million for fiscal 1974 to a total of $135 million for fiscal 1976 and subsequent years. Apportionment would be as follows:

(1) 4% to the Secretary of Agriculture for administration;

(2) 10% to be allocated by the Secretary to finance work serving two or more States;

(3) 20% equally among the States;

(4) 33% among the States on the basis of rural population as determined by the last preceding decennial census at the time each such additional sum is first appropriated; and

(5) 33% among the States on the basis of farm population, determined in a similar manner.

FLOOR AMENDMENT

The amendment authorizes for the purposes of this title the appropriation of an additional $25,000,000 to be distributed among those States where the per capita income of those living on small farms in rural areas is below the national average per capita income in rural areas. These funds would be allocated among such States on the basis of the number of persons in each such State who live on small farms in rural areas and whose income is below the poverty level.

Title VII—Miscellaneous

This title would—

(1) (a) no financial or other assistance shall be extended under any provision of this Act that will result in the transfer from one area to another of any employment or business activity provided by operations of the applicant or a directly competing firm, but this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity if the establishment of such will not result in an increase in unemploy-

ment in the area of original location or in any other area where such entity or a directly competing firm conducts business operations unless there is reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations, and

(b) no financial or other assistance shall be extended under any provision of this Act when the result would be to increase the production of goods, materials, or commodities, or the availability of services or facilities, when there is not sufficient demand in the area for such goods, materials, commodities, services, of facilities, to employ the efficient capacity of existing competitive commercial or industrial enterprises.

(2) require the Secretary of Agriculture to coordinate rural development activities;

(3) authorize ten year cost sharing payments under section 8(b) of the Soil Conservation and Domestic Allotment Act;

(4) authorize cost sharing under such section 8(b) for agriculture-related pollution prevention or abatement practices unrelated to soil or water conservation.

FLOOR AMENDMENTS

(5) require that no financial assistance be extended under this Act until the Secretary of Labor certifies that the anti-piracy provisions have been complied with; and requires that the Secretaries of Labor and Agriculture jointly develop a system of certification which will insure expeditious processing of applications; and

(6) amend the Rural Electrification Act of 1936 to authorize the Rural Telephone Bank to issue telephone debentures to the Secretary of the Treasury and to authorize the Secretary of the Treasury to purchase such debentures.